

# Crisis Management Legislation

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## Amendments to the Tax Code allowing additional support for business during the coronavirus outbreak

President Vladimir Putin has signed a law<sup>1</sup> providing tax support measures for business entities to support them during the coronavirus pandemic. The amendments will affect an organisation's profit tax, personal income tax, VAT, single agricultural tax and organisations using the simplified tax system. These amendments are from the Government of the Russian Federation as part of a package of crisis response measures aimed at supporting entrepreneurs, and will apply retroactively, effective from 1 January 2020.

### Personal income tax benefits:

- The list of non-taxable (exempt from taxation) personal income has been expanded. It not includes payments to medical personnel providing medical care to patients with coronavirus and people at risk of coronavirus infection, as well as income in the form of subsidies received by small and medium enterprise taxpayers operating in the industries most affected by the disruption caused by coronavirus.

### Profits tax benefits:

- The list of profits not included in the tax base has been expanded. For example, profits from subsidies received by small and medium enterprise taxpayers operating in the industries most affected by coronavirus will not be included in the tax base.
- The list of non-depreciable assets has been expanded to include medical products if the expenses to acquire these products have been recognised by a taxpayer as expenses acquiring medical products to diagnose (treat) coronavirus, or expenses on creating manufacturing, delivering and making these medical products.
- Other expenses related to production and sale now include: expenses on disinfecting premises, and purchasing devices, laboratory equipment, protective clothing and other personal and collective protective equipment to meet sanitary, epidemiological and

hygienic requirements to stop the spread of coronavirus; as well as expenses to purchase medical products used to diagnose (treat) coronavirus and in the creation, manufacture, delivery and making of these medical products;

- The list of non-deductible expenses has been updated. For example, expenses incurred on subsidies received from the federal budget as support during coronavirus by taxpayers that are small and medium-sized enterprises and which operate in the most affected industries are not deducted for tax purposes.
- It is now possible before the end of the 2020 tax period to switch to monthly advance payments based on actual profits for those taxpayers paying monthly advance payments during the 2020 reporting (tax) period.

These taxpayers can switch to monthly advance payments, based on their actual profits, starting from month four, five or so on of the current reporting period, until the end of the calendar year. The change in the procedure for calculating advance tax payments should be reflected in the organisation's accounting policy. To exercise the right, the taxpayer must notify the tax authority on or before the 20th day of the last month of the reporting period starting from which the taxpayer switches to monthly advance payments based on actual profits. For example, if switching to monthly advance payments based on actual profits starting from a reporting period of four months, the taxpayer is obliged to notify the tax authority on or before 8 May 2020.

### Benefits for taxpayers applying the special taxation regimes (the single agricultural tax and the simplified tax system):

- The law will allow taxpayers to reduce the income received by the amount of expenses on disinfecting premises and purchasing devices, laboratory equipment, protective clothing and other personal and collective protective equipment to meet the sanitary,

epidemiological and hygienic requirements of state and local government bodies and their officials to prevent the spread of coronavirus.

### Value added tax:

- The prohibition on deducting VAT on goods (work, services) and fixed assets acquired using subsidies does not apply to subsidies received by taxpayers that are small and medium enterprises operating in the industries most affected by the coronavirus outbreak.

In addition, the income limit giving the right to pay only quarterly advance payments has been temporarily increased. Currently, this limit is 15 million rubles per quarter, but after the law comes into force it will be 25 million rubles. These rules will apply in 2020.

In accordance with Government Resolution No. 540 dated 18 April 2020 “On Amendments to Government Resolution No. 434 dated 03 April 2020”, the list of sectors of the Russian economy most affected by coronavirus has also been expanded.

The most affected industries have had added to them non-food retail (including department stores selling general goods, etc.).

The above-mentioned Resolution has also introduced amendments that make it possible to include on the list not only laws on lending relations, as was the case previously, but also all cases when a regulation refers to a list of affected industries compiled by the Government of the Russian Federation.

1. [Law No. 121-FZ “On Amendments to Part Two of the Tax Code of the Russian Federation \(on Measures to Support Business Entities amid the Spread of the Coronavirus Infection\)”](#)

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